

**THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM
MEETING OF THE BOARD OF DIRECTORS
MAY 22, 2013**

MINUTES

Present:

Treasurer Young Boozer, Chair
Dr. Marquita Davis
Dr. Greg Fitch
Ms. Karen Gandy
Mr. Marc Green for Dr. David Bronner
Gen. Paul Hankins, Vice Chair
Dr. Mark Heinrich
Ms. Patti Lambert
Dr. William Meehan
Mr. Mark Sullivan

Absent:

Sen. Roger Bedford
Rep. Craig Ford
Dr. Richard Huckaby
Mr. Jimmy Stubbs
Ms. Gwen Webb

Others present include:

Ms. Daria Story, Assistant Treasurer
Mr. Chad Wright, PACT Director
Mr. Chad Bryan, Capell & Howard
Mr. Barry Bryant, Dahab Associates
Mr. Wade Sansbury, Mauldin-Jenkins

Agenda Item 1.

Pursuant to written and public notice, the quarterly meeting of the Board of Directors of the PACT Program was held in the Board Room of the RSA Headquarters on May 22, 2013. The meeting was called to order by Chair Young Boozer at 1:00 p.m.

Agenda Item 2.

Roll was taken with a quorum present.

Agenda Item 3.

Chair Boozer presented the minutes of the February 20, 2013 board meeting. A motion for approval of the minutes as presented was made by Dr. Heinrich, seconded by Dr. Meehan, with unanimous approval.

Agenda Item 4A.

Chair Boozer called on Chad Bryan for the legal report. Mr. Bryan stated that the Supreme Court had issued a ruling on April 19, 2013 that upheld the settlement. He explained that there were no requests for reconsideration that were filed and a final certificate of judgment was issued on May 7, 2013. He stated that all outstanding litigation was now concluded and that the board was in a position to move forward and conduct business in accordance with the terms of the settlement. Chair Boozer thanked Mr. Bryan for his diligent work throughout the process.

Agenda Item 4B.

Chair Boozer called on Mr. Wade Sansbury of Mauldin-Jenkins for a summary of the recently concluded audit report. Mr. Sansbury summarized the audit report for the period ending September 30, 2012. He provided information on total assets, liabilities and total change in net assets. Mr. Sansbury stated that there were no findings or deficiencies noted in the report and said that PACT does a good job of managing the day to day operations of the program. He mentioned that Mauldin-Jenkins was in the last year of their contract with PACT and how much they appreciated working with the board and the program during that time.

A motion to accept the audit report was made by Dr. Meehan, seconded by Dr. Davis with unanimous approval.

Agenda Item 4C.

Chair Boozer asked Mr. Chad Wright for a program report. Information was provided on program activities, cancellations, trust fund assets, and the budget. He reported that over \$39 million had been paid to various institutions for the spring 2013 on behalf of over ten thousand beneficiaries. He notified the board members that account cancellations were up only slightly, from an average of 10 per week to an average of 13 per week since the Supreme Court ruling. He stated that all future invoices to in-state and out of state institutions would be paid at the rates certified in the settlement. He then stated that all settlement related information, including certified rates had been updated on the website.

Agenda Item 4D.

Chair Boozer called on Barry Bryant from Dahab to give the quarterly investment report. Mr. Bryant provided a brief overview of the economy in general and stated that economic growth was just average for the first quarter. Mr. Bryant provided information on portfolio returns and stated that program assets were currently evenly split between an intermediate and short-term bond portfolio. He stated that the total portfolio earned 0.4% for the quarter which ranked in the 25th percentile among fixed income plans. He then provided information on the returns for the individual Longfellow and Mackay Shields portfolios. Mr. Bryant then summarized the overall asset allocation by manager and stated that there are very small residual accounts that remain in the overall portfolio and explained the difficulties in liquidating these assets. He then summarized a memo detailing a recommended change to the investment policy to exempt these residual assets from the policy.

A motion to accept the recommended change to the investment policy was made by Dr. Meehan, seconded by Dr. Davis, with unanimous approval.

Agenda Item 4E.

Chair Boozer called on Dan Sherman to provide information on the quarterly actuarial report. Mr. Sherman provided a summary and explanation of the assumptions and methods utilized in the report. He summarized funding and compared quarter end results to the year-end report from September 30, 2012. With the settlement in place,

he stated that the current funded ratio for the program was 108.2%. He then explained the projected cash flows, including payments from the Education Trust Fund. Based on current assumptions, Mr. Sherman concluded his report by stating that there would be an anticipated remaining balance of \$85.6 million at the conclusion of the program. Chair Boozer stated that the board should closely monitor end of year assets in an effort to pay out these surplus funds to the beneficiaries of the program. He stated that the idea should be to pay out the last dollar to the last student on the last day.

Agenda Item 5A.

Chair Boozer called on Ms. Daria Story to summarize proposed changes to the PACT Rules. Ms. Story explained that historically, the PACT Rules and Disclosures have been reviewed and updated on an annual basis. However, during the litigation over the proposed settlement, no changes were made to either document. With the settlement now affirmed by the Supreme Court, both the Rules and Disclosure have been updated to include the terms of the settlement. Ms. Story summarized each of the changes made to the PACT Rules and Disclosure Statement. Chair Boozer added that all changes had been reviewed and approved by legal counsel.

A motion to approve the changes made to the PACT Rules was made by General Hankins, seconded by Dr. Davis, with unanimous approval.

Agenda 5B.

A motion to approve the changes made to the PACT Disclosure Statement was made by Dr. Davis, seconded by Dr. Meehan, with unanimous approval.

Ms. Lambert questioned whether or not there were any invoices that were received after May 8th when the settlement became final and what, if anything was being done to assist those students. Chair Boozer asked Mr. Wright for clarification on this issue. Mr. Wright stated that all colleges and universities were instructed to submit any outstanding invoices for payment prior to May 6, 2013. He stated that there were, however, a minimal number of invoices received after the deadline that would affect 22 students for approximately \$5,000. Chair Boozer stated that he had already discussed this issue with PACT staff and legal counsel. He recommended that the board approve payment of all invoices received prior to the May 22, 2013 meeting date be paid at pre-settlement rates.

A motion to pay all invoices received prior to the May 22, 2013 board meeting at the pre-settlement rates and all invoices received after the May 22, 2013 board meeting at the settlement rates was made by Dr. Davis, seconded by General Hankins, with unanimous approval.

Agenda 5C1.

Chair Boozer summarized the RFP Committee Meeting that was held on May 9, 2013. He stated that a Request for Proposals (RFP) was issued for Audit Services and for Records Administration. He provided information on the number of proposals received, the proposing firms and the current contract holder. He also provided background information on the current contracts. Chair Boozer stated that after review, discussion and careful consideration of the proposals, the RFP Committee recommended hiring Jackson-Thornton for audit services based on their demonstrated expertise and realized cost savings. Mr. John Finley and Ms. Diane Steinhilber of Jackson-Thornton provided an overview of the firm and the services to be provided.

A motion to select Jackson-Thornton and authorize the Treasurer to negotiate a contract with terms and conditions discussed at the meeting and included in the RFP response for audit services was made by Dr. Meehan. The motion was seconded by General Hankins, with unanimous approval. The negotiated contract is considered approved by the Board.

Chair Boozer then discussed the RFP that was issued for Records Administration Services. He provided information on the number of proposals received, the proposing firms and the current contract holder. He also provided background information on the current contracts. Chair Boozer stated that after review, discussion and careful consideration of the proposals, the RFP Committee recommended retaining HDI Solutions to provide the PACTRAC software license and system for records administration services, and to host the system with responsibility for backup and continuity of operations. This will entail management and staffing of the database system in-house which will allow PACT to realize substantial cost savings. Mr. Jim Wilkerson of HDI Solutions provided an overview of the firm and the services to be provided.

A motion to select HDI Solutions and authorize the Treasurer to negotiate a contract with HDI Solutions with terms and conditions discussed at the meeting and included in the RFP response was made by Dr. Davis, seconded by Mr. Green, with unanimous approval. The negotiated contract is considered approved by the Board.

Agenda Item 6A.

Chair Boozer called on Mr. Wright to summarize a request for exception to PACT rules that was received. Mr. Wright provided information on the request and explained that it had been reviewed by the Petition Advisory Council. In addition, he stated that the request had been reviewed and recommended for approval by legal counsel in accordance with bylaws.

Agenda Item 7.

Chair Boozer thanked the board, staff and vendors for their efforts and support during the difficult period leading up to the settlement being approved. He stated that we would continue to provide information to the public, closely monitor and evaluate the

funding status of the program and minimize the administrative costs to continue to benefit the beneficiaries of the program.

There being no further business to be discussed, a motion for adjournment was made by General Hankins, seconded by Dr. Meehan, with unanimous approval. The meeting adjourned at 2:09 p.m.

Chad Wright, Recording Secretary

Young Boozer, Chair